Flash Report on the Consolidated Results for the Year Ended March 31, 2004

May 17, 2004

Company Name: DAIICHIKOSHO CO., LTD.
Code Number: 7458
(URL http://www.dkkaraoke.co.jp)
Registered Stock: JASDAQ
Location of Head Office (Prefecture): Metropolis of Tokyo
Representative: Tatsuyoshi Yoneda, President
Contact: Eiji Hata, Executive Director; Administration Headquarters and General Manager, Finance Dept. Phone: (03) 3280-2151
Date of the Board of Directors Meeting on the Closing of Accounts: May 17, 2004
Adoption of U.S. GAAP: No

1. Consolidated Performance for the Year Ended March 31, 2004 (from April 1, 2003, to March 31, 2004)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Year ended March 2004	119,335	1.9	13,126	5.1	12,331	13.8
Year ended March 2003	117,057	18.7	12,493	31.4	10,831	28.2

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Year ended March 2004	4,898	(29.4)	265.08	252.21
Year ended March 2003	6,938	110.0	375.89	354.25

	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	%	%	%
Year ended March 2004	8.4	9.1	10.3
Year ended March 2003	13.2	8.2	9.3

Notes: 1. Average number of shares outstanding during the year (consolidated):
Year ended March 2004: 17,979,209 shares Year ended March 2003: 18,097,192 shares
2. Change in accounting method: Yes
3. Percentages for net sales, operating income, ordinary income and net income show year-over-year change from the previous fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Year ended March 2004	138,453	60,856	44.0	3,378.93
Year ended March 2003	131,938	55,555	42.1	3,081.34

Note: Number of shares outstanding at the end of the year (consolidated):
17,971,260 shares at March 31, 2004 17,985,551 shares at March 31, 2003

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	¥ Million	¥ Million	¥ Million	¥ Million
Year ended March 2004	27,200	(26,056)	(3,606)	20,300
Year ended March 2003	19,876	(14,286)	(3,076)	22,831

(4) Scope of consolidation and application of the equity method
Number of consolidated subsidiaries: 38
Number of unconsolidated subsidiaries accounted for by the equity method: —
Number of affiliates accounted for by the equity method: —

(5) Change in the scope of consolidation and application of the equity method
Consolidation (newly included): 1 (Excluded): 1
Equity method (newly applied): — (Excluded): —

2. Forecast Consolidated Performance for FY 2004 (from April 1, 2004, to March 31, 2005)

	Net sales	Ordinary income	Net income
	¥ Million	¥ Million	¥ Million
Interim period ending September 30, 2004	60,300	5,900	3,800
Year ending March 31, 2005 (full year)	126,000	12,800	6,800

(Reference) Forecast net income per share (full year): ¥185.49
The value of forecast net income per share (full year) above is calculated based on the number of shares after the two-for-one stock split conducted on May 20, 2004.

Note: These projected performance figures are based on information available to the Company's management at the time of preparing this report. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 10 of the Attachment for further information on the forecasts above.

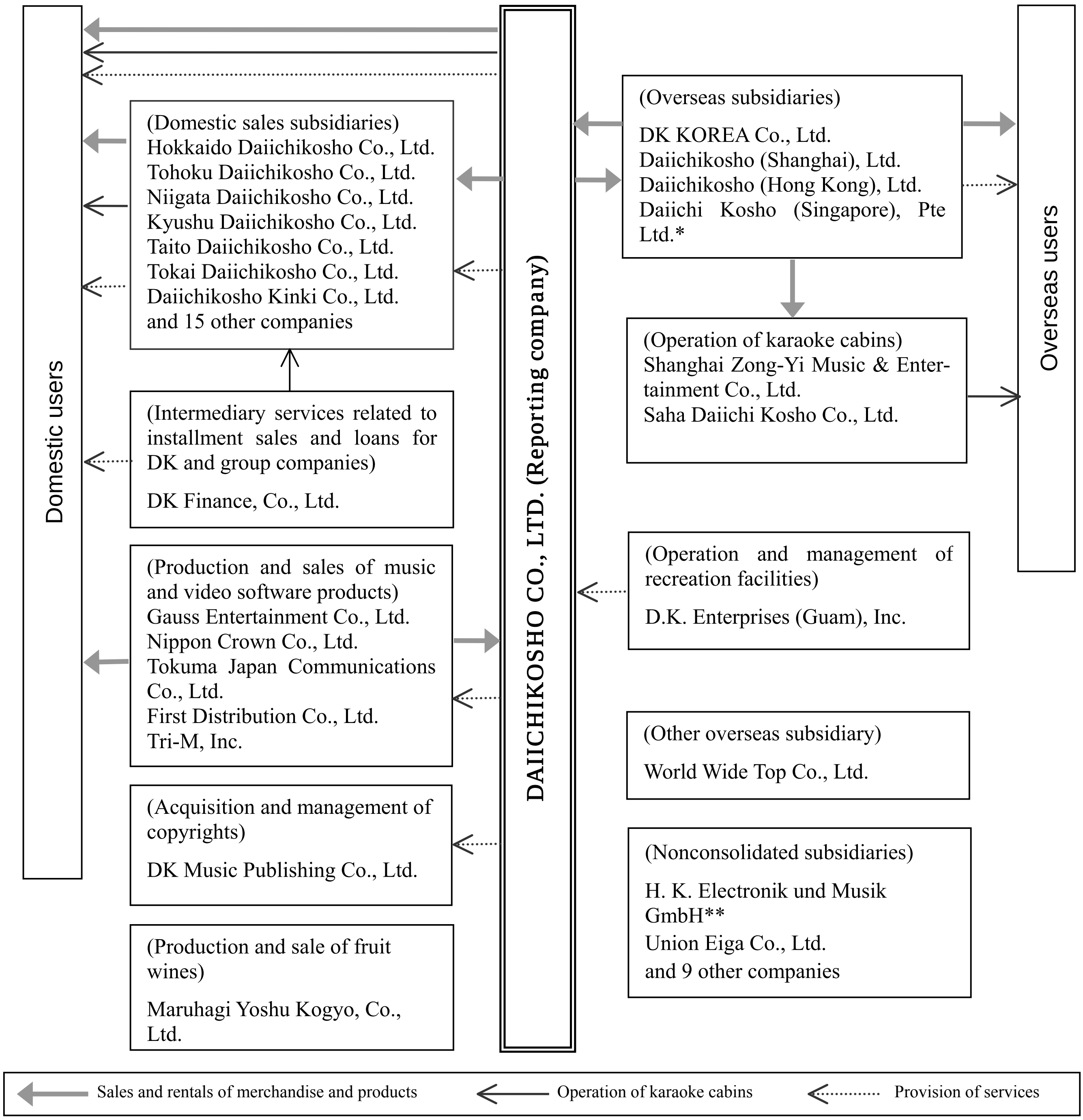
(Attachment)

1. Corporate Group

The Daiichikosho Group ("DKG") consists of Daiichikosho Co., Ltd. ("DK" or "the Company"), and 38 subsidiaries.
The major group companies engage in the commercial karaoke business, the karaoke cabin business, the content business and the music software business.

<table>
<tr><th>Business segment</th><th>Business line</th><th>Domestic</th><th>Overseas</th></tr>
<tr><td>Commercial karaoke business</td><td>Sales and rental of commercial-use karaoke equipment and software</td><td rowspan="3">Daiichikosho Co., Ltd.
Hokkaido Daiichikosho Co., Ltd.
Tohoku Daiichikosho Co., Ltd.
Taito Daiichikosho Co., Ltd.
Niigata Daiichikosho Co., Ltd.
Tokai Daiichikosho Co., Ltd.
Daiichikosho Kinki Co., Ltd.
Kyushu Daiichikosho Co., Ltd.
and 15 other subsidiaries</td><td>DK KOREA Co., Ltd.
Daiichikosho (Shanghai), Ltd.
and two other subsidiaries</td></tr>
<tr><td>Karaoke cabin business</td><td>Operation of karaoke cabins, as well as the supply of food and beverages in the cabins</td><td>Shanghai Zong-Yi Music & Entertainment Co., Ltd.
Saha Daiichi Kosho Co., Ltd.</td></tr>
<tr><td>Content business</td><td>Satellite broadcasting and supply of music content, etc., via mobile phones</td><td rowspan="2"></td></tr>
<tr><td>Music software business</td><td>Production and sales of music and video software products</td><td>Gauss Entertainment Co., Ltd.
Nippon Crown Co., Ltd.
Tokuma Japan Communications Co., Ltd.
First Distribution Co., Ltd.
Tri-M, Inc.</td></tr>
<tr><td>Other business</td><td>Real estate lease and rental business, restaurant business, etc.</td><td>Daiichikosho Co., Ltd.
DK Finance, Co., Ltd.
DK Music Publishing Co., Ltd.
Maruhagi Yoshu Kogyo, Co., Ltd.</td><td>D.K. Enterprises (Guam), Inc.
World Wide Top Co., Ltd.</td></tr>
</table>

The following diagram schematically shows the relationships of the respective group companies and businesses.



Notes:
1. * indicates a dormant company.
2. ** indicates a company that is under liquidation proceedings.
3. Tri-M, Inc., has been newly included in consolidation as DK consolidated it in October 2003 by acquiring all of its shares outstanding.
4. Harima Daiichikosho Co., Ltd., and Himeji Daiichikosho Co., Ltd., consolidated in April 2004 with the former as the surviving company. The new company was renamed Hyogo Daiichikosho Co., Ltd.
5. Daiichikosho (Hong Kong), Ltd., and World Wide Top Co., Ltd., were liquidated in March 2004.
6. The liquidation procedure for Daiichi Kosho Europe GmbH has been completed.

2. Management Policies

(1) Basic management policy

Based on the corporate philosophy of "More music to the world, more service to the world," DKG's basic management policy is "to promote music culture through karaoke and provide people with many places of pleasant communications." To that end, DKG believes it must provide karaoke equipment and an attractive range of karaoke software products that meet diversified users' needs, as well as karaoke cabins where people can easily gather to enjoy singing karaoke songs. DKG is proud of its role as a pioneer in the karaoke business in Japan and overseas.

Building on the know-how and entertainment content it has accumulated to date, DKG aims to become a multinational corporate group that satisfies the expectations and trust not only of investors but also of all the group's stakeholders by ensuring continued business growth and higher earnings around the core karaoke business.

(2) Basic policy on profit distribution

DK attaches a high priority to ensuring stable, long-term profit distribution to shareholders and follows a policy of paying performance-based dividends with due regard for adequate earnings retention. Retained earnings not distributed to shareholders will be effectively reinvested in the development of new products and operating assets to improve DKG's market share and reinforce a profit-enhancing foundation.

(3) Basic views on the reduction of the minimum investment lot of shares

Considering changes in DK's stock price, for which an amount corresponding to a unit *(tangen)* of 100 shares has consistently exceeded the benchmark of ¥500,000 since January 2004, the Board of Directors, at its meeting held on February 23, 2004, adopted a resolution to the effect that DK's common shares be split two-for-one as of May 20, 2004, with March 31, 2004, as the reference day. As a result of this decision, the market amount for one unit *(tangen)* of shares declined to approximately ¥300,000 on March 31, 2004.

DK intends to flexibly address this issue by taking into account the increasing liquidity of its shares, past performance and market conditions while focusing on the shareholders' interests.

(4) Management target indicator

As a priority indicator, DKG aims to achieve a consolidated return on equity (ROE) of 12% or more for FY 2004, the year ending March 31, 2005.

(5) Medium- and long-term management strategies

For the ongoing growth of DKG around the mainstay karaoke business, DKG's basic management strategies are to a) create new customer-oriented, value-added products and services leveraging off of the latest information technology (IT) and the expanded karaoke telecommunications network; b) encourage reforms of the karaoke business environment and the revitalization of the karaoke market; and c) establish an integrated music entertainment business in which "music, karaoke and entertainment" are harmoniously intertwined.

(6) DKG's tasks ahead

DKG needs to proactively address the following groupwide issues: ① further extending its karaoke telecommunications network and increasing revenue from the network, ② future expansion of the karaoke cabin business and improving profitability in the business, ③ firmly ensuring the profitability of the satellite broadcasting business, ④ reinforcing the business foundations of the music software business and increasing revenue from the business and ⑤ setting up the "Gateway Business" as a steady and promising new business.

① DKG has established the karaoke telecommunications network to provide a karaoke-streaming service. As of March 31, 2004, the market share of the operating ***"DAM"*** karaoke equipment had increased to almost 50% of the commercial karaoke market. To further expand the network, DKG will focus on increasing the sales and rental contracts of "DAM" karaoke equipment to improve profits including the fee revenue from the provision of the karaoke-streaming service.

② As of March 31, 2004, DKG operated 201 ***"BIG ECHO"*** karaoke cabin stores, including those overseas. With the closing of unprofitable stores almost completed, DKG continues to actively open large-scale stores at prime locations such as sites in front of important regional railway stations and in prime locations in the Tokyo metropolitan area. Moreover, DKG will pursue further differentiation with enhanced equipment and quality services for higher management efficiency and an improved operating margin.

③ With the multichannel direct broadcast satellite provider, **Sky PerfecTV**, as its platform, DKG now offers two television channels and 100 radio channels. DKG intends to make the satellite broadcasting business firmly profitable with an aggressive effort to increase the number of commercial-use subscribers, thereby offsetting a recent decline in contracts for household service.

④ To increase profits in the highly competitive music industry, DKG will endeavor to strengthen its management foundation in each music software subsidiary while increasing synergies with DKG's mainstay karaoke business.

⑤ DKG has begun supplying a new, broadband-based interactive service that combines the mainstay ***"New cyber DAM (DAM-G100)"*** equipment with the information terminal ***"DAM Station"*** beginning from the year under review. DKG intends to develop this new "Gateway Business" as a steady source of growth.

(7) Basic views on corporate governance and the implementation of related measures

① Basic views on corporate governance

"Shareholders first" corporate governance has become a predominant view among corporations given recent stock market pressures. Shareholders who shoulder the burden of monetary risk should be the most respected among a corporation's various stakeholders, which also include employees, business partners and suppliers. DK believes its corporate governance should be carried out and improved in the direction of maximizing shareholder value while meeting the requirements of the different stakeholders.

② Current status of internal supervising organs

Pursuant to the aforementioned concept, DK reduced the number of directors to eight in FY 2001 from a high of 25 in FY 1997 to achieve swifter managerial decision making. Along with the reduction in the number of directors, DK introduced the corporate officer system in June 2001, in which the responsibility of each corporate officer in each significant department has been clarified with regard to his/her duties. Meetings of the Board of Directors and the Executive Board are held periodically according to the "Board of Directors Rules" and the "Executive Board Rules," respectively. Transparency in managerial decisions is emphasized and respected by allowing responsible staff from the related departments to attend these meetings, and complicated subjects are thoroughly reviewed on the spot to ensure quicker decision making. Although DK currently does not intend to introduce the outside director system, its implementation will be examined as business activities develop in the future.

③ Risk management

DK ensures that each of its employees fully understands the urgency of risk management and participates in setting up a contingency system to cope with various risks including management risk. To address an emergency situation, DK plans to have an emergency response system in place with the formation of the Crisis-Management Task Force<Headquarters?> , for which the President will serve as its general manager; the establishment of a smooth chain of command; and effective measures to minimize human and physical damages.

④ Compliance

DK endeavors to raise the consciousness of its employees by taking the initiative within the industry in seeking guidance from specialists. DK's believes that every corporate activity should be guided by a recognition of compliance. Consequently, DK is committed to upgrading the audit and legal affairs departments to reinforce the hold-down function, including the measures for improving moral code of conducts of all employees.

⑤ IR activity

DK's IR information is quickly disclosed with an emphasis on timeliness and usefulness. Such disclosure occurs via the Intermediate-Term Business Plan, the Flash Report on the Consolidated Results, the Business Report and other documents from the PR department, for example, in the "NEWS RELEASE" and "FOR INVESTORS" columns. Moreover, important information is disclosed externally according to the regulations on timely disclosure of corporate information.

⑥ Future tasks

DK believes management-supervising organs such as the Board of Directors and the Board of Statutory Auditors should be streamlined to solidify corporate governance. More important, management executives such as directors and corporate officers as well as all managerial staff and employees must maintain a high sense of ethics in carrying out their respective duties. Accordingly, DK strives to establish higher efficiency and sound management by enhancing its quality-focused corporate governance.

⑦ Unified corporate governance

Although DK's subsidiaries have not developed their own organizational reforms, DK shares a unified approach to corporate governance with its subsidiaries. For example, DK places subjects to achieve common organizational decisions with regard to corporate governance on the agenda at the Subsidiary Presidents' Conference and the Sales Promotion Strategy Conference, which are held periodically by convening the presidents and major management executives of the subsidiaries.

(8) Basic policies on relations with a related party

DK clarifies the scope of a related party and strictly investigates the scope and details of its transactions with a related party. In particular, DK discloses all transactions by its officers and principal individual shareholders regardless of the disclosure criteria on transaction amounts.

(9) Other important management matters

DAIICHIKOSHO received an advisory as of October 31, 2003, from the Japan Fair Trade Commission to the effect that DK had infringed on regulations of the Anti-Monopoly Law. However, as DK's management could not comply with this advisory, it submitted a letter of non-acceptance to the commission. The adjudication procedure began at the commission in February 2004.

3. Operating Results and Financial Position

(1) Overview for the Year

① Operating results

During the year ended March 31, 2004, the Japanese economy showed signs of bottoming with a gradual upturn, supported by a rally in capital investments centered on digital household electric appliances, a boost in exports to Asian countries including China and an improving Nikkei Stock Average in the second half, following a record low since the collapse of the bubble economy in the first half. These favorable trends were partly offset by a lack of strong momentum in the consumer spending recovery, employment concerns and a general malaise about future prospects as represented by the dispute over the domestic public pension plan.

In the karaoke industry, new products were launched by several manufacturers despite intensifying competition resulting in low-priced products and services amid lingering deflation. The business environment remained difficult for the nighttime market resulting in an increase in the number of store closures. On a positive note, stores attempting to differentiate performed well. In the daytime market, medium- and large-scale chain karaoke store operators proactively opened large stores in which diversified services could be supplied thanks to economies of scale, despite a continued decline in investments in small stores. As a result, several bright signs were seen, including an upturn in the number of operational karaoke cabins compared with the previous year following several years of decline.

In these circumstances, DKG concentrated its promotional efforts on the sales and rental of the mainstay ***"Broadband Cyber DAM (DAM-G100)"*** equipment and the ***"Denmoku"*** electronic music selection remote control to raise its market share in the commercial karaoke business. In the karaoke cabin business, DKG actively opened new stores at selected prime locations as the closing of unprofitable stores has almost been completed. In the content business, DKG endeavored to increase the number of contracts for different services with extensive service content and aggressive sales promotion activity using media coverage. Moreover, to increase its product lineups, DK acquired a music recording company and made it a subsidiary. As described above, DK and DKG aggressively undertook these measures to realize the ideal of integrating the music entertainment business such that "music, karaoke and entertainment" are intertwined in an effort to respond flexibly to rapid environmental changes in the existing businesses.

Consequently, consolidated net sales for the year increased 1.9% year over year to ¥119,335 million. Consolidated operating income rose 5.1% year over year to ¥13,126 million, by more than offsetting costs for new product development and the reinforcement of music content, as well as the increased operating expenses for diverse measures taken to raise market share. Consolidated ordinary income was a record high ¥12,331 million, up 13.8% year over year.

Meanwhile, consolidated net income decreased 29.4% year over year to ¥4,898 million, reflecting a collective provision for the reserve for directors' retirement allowances for prior years as a result of the institutionalization of payment criteria for directors' retirement allowances and the adjustment of deferred tax assets.

Operating results by business segment are summarized as follows (with year-over-year percentage changes):

Commercial karaoke business
Net sales: ¥66,505 million (+8.1%)
Operating income: ¥10,683 million (+9.5%)

In this segment, sales of equipment decreased mainly owing to the planned suspension of manufacturing and the sale of karaoke discs by the end of this fiscal year in light of the wide popularity of karaoke telecommunications equipment nationwide.

Given the progress of lower-priced products in the market, DKG actively marketed value-added products with extensive onboard functions and diversified content. Such marketing efforts included holding steady replacement demand of the mainstay equipment ***"New cyber DAM (DAM-G50 II)"*** in the first half, and introducing a new product, ***"Broadband cyber DAM (DAM-G100),"*** which substantially leverages broadband technology available for interactive services, in the second half. The latter is an innovative system that is far superior to similar products in terms of video, music and sound quality. The popularity of the ***"Denmoku"*** electronic music selection remote control also pushed up shipments of DAM products, including sales to the growing karaoke cabin chain stores, thus posting record annual shipments of 33,786 units.

As for the rental of karaoke equipment centering on the nighttime market, the recent decline in the monthly rental fee was more than compensated by a considerable rise in the number of rental contracts. In addition, as for the fee revenue from the provision of the karaoke-streaming service, the amount of operating equipment expanded firmly along with increases in equipment sold and the number of rental contracts. As a result, segment net sales expanded 8.1% and operating income rose 9.5% year over year.

Karaoke cabin business
Net sales: ¥25,156 million (+6.0 %)
Operating income: ¥2,499 million (+6.0%)

In the operation of karaoke cabin stores with the ***"BIG ECHO"*** brand, DKG implemented the latest *"DAM"* model in cabin stores and actively promoted store renewal. The upgraded equipment and the supply of quality services helped improve the number of guests and sales, both of which exceeded the previous year's figures. With the closing of unprofitable stores almost complete (six stores were closed), DKG opened 15 new stores at prime locations such as sites in front of important regional railway stations and in prime downtown quarters in the Tokyo metropolitan area. As a consequence, the number of karaoke cabin stores directly operated by DKG increased to 201 as of March 31, 2004 (199 domestically and two overseas), and the number of karaoke rooms totaled 5,362, up 530. Segment net sales and operating income equally increased 6.0% year over year.

Content business
Net sales: ¥10,324 million (+0.2%)
Operating income: ¥1,642 million (–15.0%)

In this segment, DKG engages in two business fields: satellite broadcasting and e-business. Despite a gradual decline in the number of household-use subscribers, subscribers of the ***"Stardam"*** commercial-use satellite broadcasting service, which offers content similar to that supplied for household-use subscribers, increased steadily and achieved profitability on a single-year basis for the first time since it began operations partly due to stringent cost controls. In its e-business, DKG strove to minimize the adverse effect of a decline in the number of subscribers with the start-up of new sites, extended services and various sales promotion campaigns to cope with a decline in subscribers for the mobile phone ringtone service. As a result, segment net sales were flat with a marginal increase of 0.2%, whereas operating income fell 15.0% year over year, reflecting increases in new site operation costs and advertising expenses from enhanced sales promotion activity.

Music software business
Net sales: ¥12,098 million (–27.3%)
Operating income: ¥342 million (up ¥425 million from the previous fiscal year)

In this segment, DK acquired Tri-M, Inc., a company engaged in the Indies music business, and made it a subsidiary in the second half in light of the continuously shrinking market volume of the music CD market. Segment net sales dropped 27.3% year over year because of fewer hit items such as ***"Spirited Away,"*** which made a significant contribution to sales in the previous fiscal year. Nevertheless, operating income increased ¥425 million, owing principally to cost controls.

Other business
Net sales: ¥5,249 million (+7.6%)
Operating income: ¥485 million (–22.6%)

This segment mainly consists of the restaurant business and the real estate lease and rental business. Segment net sales increased 7.6%, largely supported by the prosperous restaurant business, whereas operating income declined 22.6% due to an increase in selling, general and administrative expenses.

② Financial position

(Cash flows)

For the year ended March 31, 2004, income before income taxes and minority interests increased 21.3% year over year to ¥7,904 million, whereas proceeds from long-term borrowings decreased and payments increased due to an increase in time and saving deposits. As a result of these cash flows, consolidated cash and cash equivalents at the end of the year totaled ¥20,300 million, down ¥2,530 million, compared with the end of the previous year.

The relationship between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets are as described in the "Note to Consolidated Statements of Cash Flows."

The following describes the consolidated cash flow conditions for the year ended March 31, 2004, and their factors.

(Cash flows from operating activities)

Net cash provided by operating activities increased ¥7,323 million year over year to ¥27,200 million. This rise was attributable to an increase of ¥1,572 million in depreciation expense, an increase of ¥3,141 million in reserve for directors' retirement allowances and a decrease of ¥1,441 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities increased ¥11,770 million year over year to ¥26,056 million. This rise was primarily attributable to a ¥5,794 million increase in time and saving deposits and an increase of ¥1,725 million in payments for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities increased ¥530 million year over year to ¥3,606 million. The principal factors in this increase were decreases of ¥9,254 million in the increase in long-term borrowings and of ¥2,124 million in payments from repayments of long-term borrowings, as well as a net increase of ¥5,273 million in short-term borrowings.

The trends of DKG's several cash flow indicators are as follows:

	FY 2001 (Year ended March 31, 2002)	FY 2002 (Year ended March 31, 2003)	FY 2003 (Year ended March 31, 2004)
	Year-end	Year-end	Year-end
Equity ratio (%)	38.1	42.1	44.0
Market value–based equity ratio (%)	27.6	47.7	87.5
Debt redemption (years)	3.6	2.6	0.9
Interest coverage ratio (times)	20.3	31.6	47.6

Note: Equity ratio: Shareholders' equity/Total assets

Market value–based equity ratio: Total market capitalization/Total assets

Debt redemption: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

1. All of the above indicators are calculated for their respective values on a consolidated basis.

2. Total market capitalization is calculated by multiplying the closing stock price at the end of the year by the (number of shares outstanding at the end of the year + number of shares increased due to the stock split).

3. Operating cash flow is the value stated as "Cash flows from operating activities" in the consolidated statements of cash flows.

4. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheets. Interest payment corresponds to the amount of interest paid in the consolidated statements of cash flows.

(2) Outlook for the next year

Despite several uncertain factors in world affairs and the ongoing stringent conditions in the domestic employment environment, personal consumption showed a tendency toward recovery as represented by rising demand for digital household appliances. In addition, a steady economic recovery is anticipated, supported by an expansion of exports and growth in civil-sector capital investments.

Although the overall climate surrounding the karaoke industry remains difficult, the launching of new products is expected with the renewal in high time of the karaoke telecommunications equipment business and leading karaoke cabin chain operators aggressively opening new stores. Accordingly, a distinct bipolar tendency could become apparent in the karaoke industry with intensifying competition for survival.

FY 2004, the year ending March 31, 2005, is the 30th anniversary of DK's foundation. DKG regards this year as its "Second Foundation" and is committed to fully support the new "Gateway Business" and supply broadband-based, interactive services by combining ***"Broadband cyber DAM"*** with the ***"DAM Station***" information terminal. DKG is determined to restructure its karaoke business environment, revitalize the karaoke market and expand its existing businesses.

Moreover, to solidify its current top share in the commercial-use karaoke telecommunications market, DKG endeavors to differentiate its products and services and improve the DAM brand value with enhanced quality. In the karaoke cabin business, DKG will work to open new stores at carefully selected prime sites by emphasizing investment efficiency, thereby improving the profitability of each store. DKG will strive to increase the number of commercial-use subscription contracts in the satellite broadcasting business to ensure a continuous surplus in the business. Meanwhile, in the e-business, DKG will focus on increasing the number of subscribers with effective promotional activity and the development of superior content, as well as with the secondary utilization of various DK-owned content.

In the music software business engaged by its subsidiaries, DKG will endeavor to improve profitability by quickly implementing various measures including the scouting, nurturing and promotion of new artists through the group network and the production of hit songs.

In the unpredictably harsh operating environment, DKG expects to achieve net sales of ¥126.0 billion, ordinary income of ¥12.8 billion and net income of ¥6.8 billion for the year ending March 31, 2005, on a consolidated basis, by aggressively carrying out these measures.

As for the distribution of dividends, we plan to distribute an annual dividend of ¥20 per share in view of the stock split (two-for-one) conducted on May 20, 2004.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account item / Fiscal year	FY 2002 (Year ended March 31, 2003) Amount		FY 2002 Composition ratio (%)	FY 2003 (Year ended March 31, 2004) Amount		FY 2003 Composition ratio (%)	Year-over-year change
(Assets)							
Current assets							
Cash and bank deposits		26,077			29,280		3,203
Notes and accounts receivable—trade		13,786			14,011		225
Marketable securities		9			131		121
Inventories		6,689			5,907		(782)
Deferred tax assets		3,852			3,613		(238)
Other		4,021			3,131		(890)
Allowance for doubtful accounts		(1,235)			(1,432)		(196)
Total current assets		53,201	40.3		54,644	39.5	1,442
Fixed assets							
Tangible fixed assets							
Buildings and structures		10,375			9,094		(1,281)
Karaoke equipment for rental		8,641			9,392		751
Karaoke cabin facilities		9,774			10,813		1,039
Land		16,085			16,626		541
Construction in progress		182			398		215
Other		1,908			2,020		111
Total tangible fixed assets		46,967	35.6		48,345	34.9	1,378
Intangible assets							
Other		7,709			8,950		1,240
Total intangible assets		7,709	5.9		8,950	6.5	1,240
Investments and other assets							
Investments in securities		3,084			7,214		4,130
Long-term loans receivable		3,719			2,985		(734)
Deferred tax assets		3,930			2,193		(1,736)
Leasehold deposits and guarantee money		11,824			12,604		779
Other		4,596			4,001		(595)
Allowance for doubtful accounts		(3,096)			(2,486)		609
Total investments and other assets		24,059	18.2		26,513	19.1	2,453
Total fixed assets		78,736	59.7		83,808	60.5	5,072
Total Assets		131,938	100.0		138,453	100.0	6,514

(Millions of yen)

Account item / Fiscal year	FY 2002 (Year ended March 31, 2003) Amount	FY 2002 Composition ratio (%)	FY 2003 (Year ended March 31, 2004) Amount	FY 2003 Composition ratio (%)	Year-over-year change
(Liabilities)					
Current liabilities					
Notes and accounts payable—trade	6,537		7,249		712
Short-term borrowings	18,782		19,418		636
Convertible bonds redeemable within one year	-		10,799		10,799
Accounts payable—other	5,825		6,705		880
Income taxes payable	1,154		1,125		(29)
Reserve for bonuses	1,032		998		(34)
Unrealized profit on installment sales	759		667		(92)
Other	2,506		2,576		70
Total current liabilities	36,598	27.7	49,541	35.8	12,942
Long-term liabilities					
Convertible bonds	12,165		-		(12,165)
Long-term borrowings	21,049		18,935		(2,114)
Deferred tax liabilities	226		226		-
Reserve for employees' retirement benefits	2,696		2,662		(34)
Reserve for directors' retirement allowances	-		3,141		3,141
Consolidation adjustments account	1,105		1,016		(88)
Other	1,238		1,161		(77)
Total long-term liabilities	38,482	29.2	27,144	19.6	(11,338)
Total Liabilities	75,080	56.9	76,685	55.4	1,604
(Minority Interests)					
Minority interests	1,301	1.0	910	0.6	(391)
(Shareholders' Equity)					
Capital stock	12,348	9.4	12,349	8.9	0
Capital surplus	24,000	18.2	24,001	17.3	0
Retained earnings	29,879	22.6	29,716	21.5	(163)
Land revaluation difference	(10,005)	(7.6)	(5,761)	(4.1)	4,243
Net unrealized gains or losses on available-for-sale securities	(103)	(0.1)	1,286	0.9	1,389
Foreign currency translation adjustments	135	0.1	31	0.0	(103)
Treasury stock	(700)	(0.5)	(767)	(0.5)	(67)
Total Shareholders' Equity	55,555	42.1	60,856	44.0	5,300
Total Liabilities, Minority Interests and Shareholders' Equity	131,938	100.0	138,453	100.0	6,514

(2) Consolidated Statements of Income

(Millions of yen)

Account item \ Fiscal year	FY 2002 (From April 1, 2002, to March 31, 2003) Amount		Percentage (%)	FY 2003 (From April 1, 2003, to March 31, 2004) Amount		Percentage (%)	Year-over-year change (%)
Net sales		117,057	100.0		119,335	100.0	101.9
Cost of sales		67,720	57.9		68,855	57.7	101.7
Gross profit before adjustment for unrealized profit on installment sales		49,337	42.1		50,479	42.3	102.3
Unrealized profit on installment sales─reversal (+)	243			219			
Unrealized profit on installment sales─deferred (–)	132	110	0.1	127	92	0.1	83.7
Gross profit on sales		49,447	42.2		50,572	42.4	102.3
Selling, general and administrative expenses		36,954	31.6		37,445	31.4	101.3
Operating income		12,493	10.6		13,126	11.0	105.1
Nonoperating income							
Interest and dividend income	619			540			
Profit on retirement of convertible bonds	42			-			
Fees and commissions received	220			275			
Amortization of consolidation adjustments account	-			283			
Other	915	1,798	1.6	692	1,792	1.5	99.7
Nonoperating expenses							
Interest expense	658			570			
Loss on disposal of inventories	475			729			
Loss on valuation of inventories	1,140			519			
Provision for allowance for doubtful accounts	19			102			
Other	1,165	3,460	2.9	665	2,587	2.2	74.8
Ordinary income		10,831	9.3		12,331	10.3	113.8
Extraordinary gains							
Gain on sales of fixed assets	15			16			
Gain on sales of investments in securities	87			208			
Reversal of allowance for doubtful accounts	126			201			
Gain on correction of copyright use fees for prior years	262	492	0.4	-	426	0.4	86.6
Extraordinary losses							
Loss on disposal of fixed assets	1,626			1,843			
Loss on sales of investments in securities	767			-			
Loss on valuation of investments in securities	507			82			
Loss on valuation of memberships	7			-			
Provision for reserve for directors' retirement allowances for prior years	-			2,921			
Directors' retirement allowances	156			-			

Amortization of consolidation adjustments account	1,742			-			
Loss on arrangement of subsidiaries and affiliates	-	4,808	4.1	5	4,853	4.1	100.9
Income before income taxes and minority interests		6,516	5.6		7,904	6.6	121.3
Income taxes—current	1,999			1,975			
Income taxes—deferred	(2,499)	(499)	(0.4)	1,021	2,996	2.5	(600.1)
Minority interests in income (loss) of consolidated subsidiaries		76	0.1		8	0.0	11.5
Net income		6,938	5.9		4,898	4.1	70.6

(3) Consolidated Statements of Retained Earnings

(Millions of yen)

Account item / Fiscal year	FY 2002 (From April 1, 2002, to March 31, 2003)		FY 2003 (From April 1, 2003, to March 31, 2004)	
	Amount		Amount	
(Capital surplus)				
Capital surplus at beginning of year		24,000		24,000
Increase in capital surplus				
Conversion of convertible bonds	0		0	
Gain from purchase and redemption of treasury stock	-	0	0	0
Capital surplus at end of year		24,000		24,001
(Retained earnings)				
Retained earnings at beginning of year		38,889		29,879
Increase in retained earnings				
Net income	6,938	6,938	4,898	4,898
Decrease in retained earnings				
Cash dividends	658		683	
Bonuses to directors and statutory auditors	105		134	
Reversal of land revaluation difference	15,184	15,948	4,243	5,062
Retained earnings at end of year		29,879		29,716

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account item / Fiscal year	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes and minority interests	6,516	7,904
Depreciation expense	11,312	12,884
Amortization of consolidation adjustments account	1,975	(283)
Increase (decrease) in allowance for doubtful accounts	(21)	504
Increase in reserve for directors' retirement allowances	-	3,141
Dividend and interest income	(619)	(540)
Profit on retirement of convertible bonds	(42)	-
Gain or loss on sales of investments in securities	680	(208)
Gain or loss on investments in venture capital funds	100	18
Gain on correction of copyright use fees for prior years	(262)	-
Interest expenses	658	570
Gain or loss on disposal of fixed assets	1,610	1,827
Loss on valuation of investments in securities	515	82
Decrease (increase) in trade receivables	835	(353)
Decrease (increase) in inventories	686	820
Transfer of cost of sales on karaoke equipment for rental	633	943
Decrease (increase) in trade payables	(723)	625
Other	(530)	295
Subtotal	23,325	28,232
Interest and dividends received	619	541
Interest paid	(629)	(571)
Income taxes paid	(3,445)	(2,004)
Income taxes refunded	6	1,002
Net cash provided by operating activities	19,876	27,200
Cash flows from investing activities:		
Increase in time and saving deposits	(3,213)	(9,008)
Proceeds from decrease in time and saving deposits	1,759	3,275
Payments for acquisition of tangible fixed assets	(9,959)	(11,684)
Proceeds from sales of tangible fixed assets	983	46
Payments for acquisition of intangible assets	(4,610)	(6,064)
Payments for purchase of investments in securities	(908)	(2,093)
Proceeds from sales of investments in securities	1,073	223
Payments for purchase of subsidiaries' stocks	(442)	(265)
Payments for loans	(1,628)	(495)
Proceeds from collection of loans	1,846	1,101
Payments for leasehold deposits and guarantee money	(433)	(1,405)
Proceeds from repayment of leasehold deposits and guarantee money	808	241
Proceeds from dividends by venture capital funds	61	-
Other	376	70
Net cash used in investing activities	(14,286)	(26,056)

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(4,655)	618
Increase in long-term borrowings	18,646	9,391
Payments for repayment of long-term borrowings	(13,606)	(11,481)
Payments for retirement of convertible bonds	(2,091)	(1,373)
Cash dividends paid	(660)	(684)
Payments for purchase of treasury stock	(685)	(67)
Other	(24)	(9)
Net cash used in financing activities	(3,076)	(3,606)
Effect of exchange rate changes on cash and cash equivalents	(0)	(66)
Net increase (decrease) in cash and cash equivalents	2,513	(2,530)
Cash and cash equivalents at beginning of year	20,317	22,831
Cash and cash equivalents at end of year	22,831	20,300

Basis of Presenting the Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries: 38

The names of the consolidated subsidiaries are omitted as they are stated in the "1. Corporate Group."

(2) Major unconsolidated subsidiaries
(Reason for exclusion from consolidation)

Major unconsolidated subsidiaries (Union Eiga Co., Ltd., Crown Music Enterprise Co., Ltd., and Zoom Republic) are excluded from consolidation because they are small-scale firms, and their respective total assets, net sales and others have no significant impact on the financial position and operating results for the year under review of DKG.

2. Application of the Equity Method

(1) Unconsolidated companies accounted for by the equity method: None

(2) Unconsolidated companies not accounted for by the equity method:

Unconsolidated subsidiaries that are not accounted for by the equity method (e.g., Union Eiga Co., Ltd., Crown Music Enterprise Co., Ltd., and Zoom Republic) are excluded from the application of the equity method because their respective net income (loss) and retained earnings have no significant impact on these account items in the consolidated financial statements for the year under review, and they are immaterial on the whole.

3. Closing Date for the Settlement of Accounts of Consolidated Subsidiaries

Of the consolidated subsidiaries, the closing date of the following companies is different from the consolidation closing date, which is March 31. In preparing the consolidated financial statements, the financial statements for the respective fiscal years are used for those that have a closing date that differs from the consolidation closing date, provided that necessary adjustments are made for consolidation purposes with regard to material transactions that might take place in the period between their respective closing dates and the consolidation closing date.

Closing date is December 31:

Shanghai Zong-Yi Music & Entertainment Co., Ltd., Saha Daiichi Kosho Co., Ltd., and Daiichikosho (Shanghai), Ltd.

Closing date is March 20:

Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., and Tri-M, Inc.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

① Marketable securities and investments in securities

Held-to-maturity debt securities that are expected to be held to maturity: Carried at amortized cost using the straight-line method.

Other securities primarily designated as available-for-sale securities for which the fair values are readily determinable: Carried at fair value as of the balance-sheet date with changes in net unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.

Other securities primarily designated as available-for-sale securities for which the fair values are not readily determinable: Carried at cost determined by the moving-average method.

② Inventories

Principally stated at cost determined by the moving-average method.

(2) Depreciation method of major depreciable assets

① Tangible fixed assets

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets as shown below. However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998.

Building and structures: 3–50 years
Karaoke equipment for rental: 5–6 years
Karaoke cabin facilities: 3–19 years

② Intangible assets

Amortization of intangible assets is computed by the straight-line method.

(3) Accounting standard for important reserves

① **Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

② **Reserve for bonuses**

The reserve for bonuses is provided at an estimated amount based on the internal payment prediction standard.

③ **Reserve for employees' retirement benefits**

The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the balance-sheet date, based on the projected benefit obligations and plan assets as of March 31, 2004.

Actuarial differences are amortized on a pro rata basis by the straight-line method over a certain period (10 years), which is shorter than the average remaining service years for employees at the time of their occurrence, from the following fiscal year of recognition.

④ **Reserve for directors' retirement allowances**

The reserve for directors' retirement allowances of DK and its domestic consolidated subsidiaries is provided at amounts that would be required to be paid in accordance with their respective internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the respective balance-sheet dates.

(Change in accounting principle)

The directors' retirement allowances were previously charged to income as incurred when disbursed. Effective from this fiscal year under review, the accounting method for directors' retirement allowances at DK and its consolidated subsidiaries has been changed to provide for possible payments at amounts that would be required to be paid in accordance with the respective internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the respective balance-sheet dates. This change, which was implemented when the relevant internal rules were reviewed, aims to regularize the periodic accounting of profit and loss and achieve a sounder financial base by allocating the directors' retirement allowances to the tenure of directors and statutory auditors. As per this change, ¥367 million that was recognized to have occurred during this fiscal year was included in selling, general and administrative expenses, whereas ¥2,921 million was collectively included in the provision for the reserve for directors' retirement allowances for prior years as an extraordinary loss factor.

As a result, compared with the previous accounting method, operating income and ordinary income each declined by ¥367 million, and income before income taxes and minority interest decreased by ¥3,141 million.

(4) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate in effect at the balance-sheet date. The resulting exchange differences are charged or credited to income. The balance sheet accounts, as well as the revenue and expense accounts, of the overseas subsidiaries are translated into yen at the spot exchange rate in effect at their respective balance-sheet dates. The resulting translation differences have been recorded as a component of minority interests and presented as "Foreign currency translation adjustments" in shareholders' equity.

(5) Accounting for important leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

(6) Hedge accounting

DKG hedges against risks of interest rate fluctuations for its variable-rate borrowings using interest rate swaps. The preferential treatment is applied to these interest rate swaps.

(7) Other important matters in preparing the consolidated financial statements

① **Accounting for installment sales**

Unrealized profit on installment sales is deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired based on DKG's installment standards.

② **Accounting for consumption taxes**

Consumption taxes are accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are valued at their fair values.

6. Amortization of the consolidation adjustments account

The amount of the consolidation adjustments account is equally amortized over five or 15 years on a straight-line basis.

7. Treatment of appropriation items of profit

The statements of consolidated retained earnings are based on the distribution of profit finalized during the consolidation fiscal year at the consolidated subsidiaries.

8. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
1. Accumulated depreciation for tangible fixed assets	49,268	49,527
2. Liabilities for guarantee	1,136	899
3. Assets pledged as collateral and secured debt		
Notes and accounts receivable—trade	4,007	3,282
Buildings and structures	5,164	3,311
Karaoke equipment for rental	59	28
Land	10,293	7,576
Other tangible fixed assets	876	897
Investments in securities	626	-
Long-term loans receivable	2,011	1,634
Leasehold deposits and guarantee money	155	155
Total	23,195	16,886
Debt corresponding to the above:		
Short-term borrowings	7,245	6,000
Long-term borrowings	15,563	6,993
Total	22,809	12,994
4. Treasury stock	324,819 shares	339,203 shares

5. DK revalued the land used for its business based on the provisions prescribed in the Law Concerning Revaluation of Land (1998 Law No. 34). The resulting revaluation difference is included in Shareholders' Equity as "Land revaluation difference."

(1) Date of revaluation: March 31, 2001

(2) Revaluation method:

The value of land is calculated by reasonably adjusting the " land prices calculated under the method determined and announced by the Director-General of the National Tax Administration Agency for calculating land value as the basis of calculating taxable prices of land value tax set forth in Article 16 of the Land Value Tax Law," stipulated in Article 2, Item 4, of the "Ordinance Implementing the Law Concerning Revaluation of Land (1998 Government Ordinance No. 119)."

(3) The difference between the market value of the land for business use as of March 31, 2004, and its carrying amount after the revaluation: ¥(648) million

(Note to Consolidated Statements of Cash Flows)

Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets

(Millions of yen)

	FY 2002 (As of March 31, 2003)	FY 2003 (As of March 31, 2004)
Cash and bank deposits	26,077	29,280
Time and saving deposits for which the depositing period exceeds three months	(3,246)	(8,979)
Cash and cash equivalents	22,831	20,300

(Notes to Leases)

1. Finance lease contracts that do not transfer ownership of leased property to the lessee

(1) Assumed data as to acquisition cost, accumulated depreciation and remaining book value of leased assets as of March 31, 2003 and 2004

(Millions of yen)

	FY 2002 (From April 1, 2002, to March 31, 2003)			FY 2003 (From April 1, 2003, to March 31, 2004)		
	Acquisition cost	Accumulated depreciation	Remaining book value	Acquisition cost	Accumulated depreciation	Remaining book value
Karaoke cabin facilities	1,188	841	346	476	319	157
Other tangible fixed assets	1,844	1,145	698	1,534	964	569
Total	3,032	1,986	1,045	2,010	1,283	726

(2) Assumed future lease payments at the end of the year under finance leases

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Due within one year	588	444
Due after one year	474	292
Total	1,063	736

(3) Lease payments, and assumed depreciation expense and interest expense

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Lease payments	1,171	654
Assumed depreciation expense	1,114	635
Assumed interest expense	23	11

(4) Computation method of assumed depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of assumed interest expense

The difference between the total lease contract amount and the assumed acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts

Assumed future lease payments at the end of the year under operating leases

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Due within one year	432	422
Due after one year	2,807	2,495
Total	3,239	2,918

(Notes to Securities)

1. Other securities primarily designated as available-for-sale securities for which fair values are readily determinable

(Millions of yen)

	Category	FY 2002 (As of March 31, 2003)			FY 2003 (As of March 31, 2004)		
		Acquisition cost	Book value per consolidated balance sheets	Net of gains (losses)	Acquisition cost	Book value per consolidated balance sheets	Net of gains (losses)
Securities with book values exceeding acquisition costs	Stocks	152	230	77	848	2,837	1,989
	Other	-	-	-	822	1,016	194
	Subtotal	152	230	77	1,670	3,854	2,183
Securities with book values not exceeding acquisition costs	Stocks	986	923	(62)	334	329	(4)
	Other	944	772	(172)	122	121	(0)
	Subtotal	1,931	1,696	(235)	456	451	(5)
Total		2,083	1,926	(157)	2,127	4,305	2,178

2. Available-for-sale securities sold in the years ended March 31, 2003 and 2004

(Millions of yen)

FY 2002 (From April 1, 2002, to March 31, 2003)			FY 2003 (From April 1, 2003, to March 31, 2004)		
Proceeds from sales	Gross realized gains	Gross realized losses	Proceeds from sales	Gross realized gains	Gross realized losses
1,073	87	767	223	208	-

3. Debt securities expected to be held-to-maturity and other securities primarily designated as available-for-sale securities for which values were not readily determinable as of March 31, 2003 and 2004

(Millions of yen)

	FY 2002 (As of March 31, 2003)	FY 2003 (As of March 31, 2004)
	Book value per consolidated balance sheets	Book value per consolidated balance sheets
Held-to-maturity debt securities:		
Discount bank debentures	9	9
Available-for-sale securities:		
Unlisted stocks (excluding OTC issues)	460	2,313

4. Future repayment schedule of available-for-sale securities with maturities and held-to-maturity debt securities

(Millions of yen)

	FY 2002 (As of March 31, 2003)				FY 2003 (As of March 31, 2004)			
	Within 1 year	Within 5 years	Within 10 years	After 10 years	Within 1 year	Within 5 years	Within 10 years	After 10 years
Bonds and debentures								
Others	9	-	-	-	9	-	-	-
Other	-	772	-	-	121	1,016	-	-
Total	9	772	-	-	131	1,016	-	-

(Note to Derivative Transactions)

Year ended March 31, 2003:

Relevant information is omitted as hedge accounting is applied.

Year ended March 31, 2004:

Relevant information is omitted as hedge accounting is applied.

(Retirement Benefit Plan)

1. Summary of DKG's retirement benefit plans

DK and its seven consolidated domestic subsidiaries have defined-benefit retirement plans that consist of qualified pension plans and lump-sum retirement payment plans, whereas other consolidated subsidiaries have lump-sum retirement payment plans. DK and certain consolidated subsidiaries may also pay extra retirement benefits upon the resignation of their employees that are not considered subject to the retirement benefit obligations by the actuarial calculation based on the retirement benefit accounting standards.

2. Balance and details of the retirement benefit obligations as of March 31, 2004

(Millions of yen)

	FY 2002 (As of March 31, 2003)	FY 2003 (As of March 31, 2004)
(1) Projected benefit obligations	(4,538)	(4,596)
(2) Fair value of plan assets	1,849	2,205
(3) Unfunded benefit obligations (1) + (2)	(2,689)	(2,391)
(4) Unrecognized plan assets	-	(131)
(5) Unrecognized actuarial differences	976	875
(6) Net amount recorded in the consolidated balance sheets (3) + (4) + (5)	(1,712)	(1,646)
(7) Prepaid plan cost	(984)	(1,015)
(8) Reserve for employees' retirement benefits	(2,696)	(2,662)

Note: Consolidated subsidiaries adopt a simplified method on calculating their projected benefit obligations.

3. Retirement benefit expenses

(Millions of yen)

	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
(1) Service cost	479	467
(2) Interest expense	41	44
(3) Expected return on plan assets (subtraction)	(58)	(32)
(4) Amortization of actuarial differences	83	109
(5) Extra retirement benefits	-	-
(6) Retirement benefit expenses (1) + (2) + (3) + (4) + (5)	547	587

Note: The retirement benefit expenses of certain consolidated subsidiaries that adopt the simplified method are included in "(1) Service cost."

4. Assumptions in the computation of retirement benefit obligations and others

	FY 2002 (As of March 31, 2003)	FY 2003 (As of March 31, 2004)
(1) Discount rate	1.7%	1.7%
(2) Expected rate of return on plan assets	3.5%	2.0%
(3) Interperiod allocation method of estimated retirement benefits	Straight-line basis	Straight-line basis
(4) Number of years for amortization of actuarial differences	10 years from the following fiscal year of recognition	10 years from the following fiscal year of recognition

(Tax-Effect Accounting)

1. Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

FY 2002 (as of March 31, 2003)		FY 2003 (as of March 31, 2004)	
Deferred tax assets:		**Deferred tax assets:**	
Loss brought forward	5,915	Loss brought forward	4,535
Depreciation expense	1,276	Depreciation expense	585
Allowance for doubtful accounts	1,071	Allowance for doubtful accounts	1,083
Reserve for employees' retirement benefits	901	Reserve for employees' retirement benefits	953
Loss on valuation of investments in securities	887	Reserve for directors' retirement allowances	1,301
Inventories	811	Loss on valuation of investments in securities	913
Reserve for bonuses	351	Inventories	689
Net unrealized gains or losses on available-for-sale securities	75	Reserve for bonuses	407
Others	1,053	Others	738
Deferred tax assets subtotal	12,343	Deferred tax assets subtotal	11,209
Valuation reserve	(4,162)	Valuation reserve	(4,112)
Total deferred tax assets	8,180	Total deferred tax assets	7,097
Deferred tax liabilities:		**Deferred tax liabilities:**	
Prepaid plan expense	(398)	Net unrealized gains or losses on available-for-sale securities	(878)
Unrealized gains or losses	(226)	Prepaid plan expense	(411)
Net deferred tax assets	7,555	Unrealized gain or loss	(226)
		Net deferred tax assets	5,580

2. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting

FY 2002 (as of March 31, 2003)	%	FY 2003 (as of March 31, 2004)	%
Statutory income tax rate	42.0	Statutory income tax rate	42.0
Reconciliation items:		**Reconciliation items:**	
Reversal of unrecognized land revaluation difference	(77.8)	Reversal of unrecognized land revaluation difference	(22.6)
Entertainment expenses and others, which are permanently nondeductible	3.4	Entertainment expenses and others, which are permanently nondeductible	2.8
Dividend income and others, which are permanently excluded from taxable income	(2.1)	Per capita inhabitant's tax	1.5
Per capita inhabitant's tax	1.9	Valuation reserve	13.1
Reduction in deferred tax assets at the balance sheet date due to tax rate change	1.6	Others	1.1
Valuation reserve	23.1	Effective income tax rate after the adoption of tax-effect accounting	37.9
Others	0.2		
Effective income tax rate after the adoption of tax-effect accounting	(7.7)		

3. Pursuant to the "Law for the Amendment of a Part of Local Tax Law, etc." (which implements the pro forma standard tax for income tax effective from the business year beginning on and after April 1, 2004), the statutory income tax rate used for calculating deferred tax assets and liabilities for the year ended March 31, 2004, is that before the amendment with regard to the transitional differences that were expected to be resolved by March 31, 2004, and that after the amendment with regard to the transitional differences that were expected to be resolved on and after April 1, 2004. As a result of this change in the statutory/effective tax rate, net deferred tax assets as of the balance-sheet date (after deducting deferred tax liabilities) decreased ¥103 million, whereas income taxes—deferred recorded for the year under review increased ¥103 million.	—

(Segment Information)

The business and geographical segments of DK and its consolidated subsidiaries for the year ended March 31, 2003 and 2004, are summarized as follows:

1. Business segments

FY 2002 (From April 1, 2002, to March 31, 2003)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin	Content	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income								
Sales								
Sales to external customers	61,498	23,722	10,308	16,648	4,879	117,057	-	117,057
Intersegment sales and transfers	143	-	-	234	449	826	(826)	-
Total	61,642	23,722	10,308	16,882	5,328	117,884	(826)	117,057
Operating expenses	51,885	21,364	8,375	16,964	4,701	103,291	1,272	104,564
Operating income (loss)	9,756	2,358	1,932	(82)	627	14,593	(2,099)	12,493
Assets, depreciation expense and capital expenditures								
Assets	65,657	23,852	5,352	11,150	8,170	114,183	17,755	131,938
Depreciation expense	7,505	2,073	925	50	422	10,977	61	11,038
Capital expenditures	9,194	2,625	1,156	21	1,110	14,109	124	14,233

FY 2003 (From April 1, 2003, to March 31, 2004)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin	Content	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income								
Sales								
Sales to external customers	66,505	25,156	10,324	12,098	5,249	119,335	-	119,335
Intersegment sales and transfers	164	-	-	248	340	753	(753)	-
Total	66,670	25,156	10,324	12,347	5,590	120,088	(753)	119,335
Operating expenses	55,986	22,656	8,682	12,004	5,105	104,434	1,773	106,208
Operating income (loss)	10,683	2,499	1,642	342	485	15,653	(2,527)	13,126
Assets, depreciation expense and capital expenditures								
Assets	64,290	25,775	6,245	10,136	11,377	117,825	20,627	138,453
Depreciation expense	8,758	2,077	1,075	28	659	12,599	79	12,679
Capital expenditures	10,683	5,279	1,598	35	736	18,333	53	18,387

Notes: 1. Segmentation method

According to DKG's sales tabulation categories.

2. Major products and/or services of each business segment

Business segment	Major products and/or services
Commercial karaoke business	Sales and rental of commercial-use karaoke equipment and software
Karaoke cabin business	Operation of karaoke cabins, as well as the supply of food and beverages in the cabins
Content business	Supply of music content, etc., via satellite broadcasting and mobile phones
Music software business	Production and sales of music and video software products
Other business	Real estate lease and rental business, restaurant business, etc.

3. Amounts and major items included in “Eliminations and corporate”

(Millions of yen)

	FY 2002 (Year ended March 31, 2003)	FY 2003 (Year ended March 31, 2004)	Major items
Amount of unabsorbed operating expenses included in “Eliminations and corporate”	2,346	2,527	Expenses required for operations by administrative departments such as the General Affairs Dept.
Amount of corporate assets included in “Eliminations and corporate”	17,530	21,026	Surplus funds operated by the Company (cash and bank deposits, and securities), long-term investment funds (investments in securities) and properties related to administrative departments.

2. Geographical segments

As sales and assets in Japan account for more than 90% of the sum of sales and the sum of assets for all the respective geographical segments, the segment information by geographical region is omitted.

3. Overseas sales

As overseas sales account for less than 10% of consolidated net sales, information related to overseas sales is omitted.

(Transactions with Related Parties)

Fiscal 2002 (From April 1, 2002, to March 31, 2003)
Directors and major individual shareholders, etc.

(Millions of yen)

Attribute		A company in which a majority of the voting rights are held by DK's director and his/her relative(s)		
Company name		Wakahara Co., Ltd.		
Location		Kawaguchi, Saitama		
Capital stock or investment in capital		3		
Principal business or profession		Operation of karaoke cabins		
Ownership percentage of voting rights, etc.		The relative(s) of DK's statutory auditor Kumiko Takahashi directly own(s) 100% of its shares.		
Relationship with the Company	Directors' posts held concurrently	—		
	Business relationship	Lending of trade mark and outsourced operations, etc.		
Description of transactions		Lending of trade mark	Charges forward for management expense, etc.	Outsourced operations
Transaction amount		3	3	11
Account item		Accounts receivable—trade	Other current assets	—
Year-end balance		0	2	—

Note: The transactions between Wakahara Co., Ltd. and DK are so-called arm's length transactions and were determined by reference to the selling prices and payment conditions for unrelated operating bodies with regard to the terms and conditions and the decision policy thereon. Of the figures above, "Transaction amount" does not include consumption taxes, whereas "Year-end balance" does.

Fiscal 2003 (From April 1, 2003, to March 31, 2004)
Directors and major individual shareholders, etc.

(Millions of yen)

Attribute		A company in which a majority of the voting rights are held by DK's director and his/her relative(s)	
Company name		Wakahara Co., Ltd.	
Location		Kawaguchi, Saitama	
Capital stock or investment in capital		3	
Principal business or profession		Operation of karaoke cabins	
Ownership percentage of voting rights, etc.		The relative(s) of DK's statutory auditor Kumiko Takahashi directly own(s) 100% of its shares.	
Relationship with the Company	Directors' posts held concurrently	—	
	Business relationship	Lending of trade mark, etc.	
Description of transactions		Lending of trade mark	Charges forward for management expense, etc.
Transaction amount		0	1
Account item		—	—
Year-end balance		—	—

Notes: The transactions between Wakahara Co., Ltd. and DK are so-called arm's length transactions and were determined by reference to the selling prices and payment conditions for unrelated operating bodies with regard to the terms and conditions and the decision policy thereon. Of the figures above, "Transaction amount" does not include consumption taxes, whereas "Year-end balance" does.

(Per Share Data)

Item	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
Shareholders’ equity per share	¥3,081.34	¥3,378.93
Net income per share	¥375.89	¥265.08
Fully diluted net income per share	¥354.25 Effective from this year ended March 31, 2004, the Company has applied the “Accounting Standard for Net Income per Share” (Business Accounting Standard No. 2) and the “Application Guideline concerning the Accounting Standard for Net Income per Share” (Application Guideline for Business Accounting Standard No. 4) to its net income and net income per share. Per share data by applying the above accounting standard and the application guideline to shareholders’ equity per share and net income per share for the year ended March 31, 2003, were as follows: **Shareholders’ equity per share:** ¥2,721.21 **Net income per share:** ¥170.77 **Fully diluted net income per share:** ¥160.86	¥252.21

Note: Assumptions in the computation of net income per share and fully diluted net income per share are as follows:

	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
Net income per share:		
Net income for the year (Millions of yen)	6,938	4,898
Amount not belonging to common shareholders (Millions of yen)	136	133
(Bonuses to directors through profit appropriation included therein)	(136)	(133)
Net income related to common shares of the Company (Millions of yen)	6,802	4,765
Average number of shares during the year (Thousand shares)	18,097	17,979
Fully diluted net income per share:		
Adjustment to net income (Millions of yen)	52	46
(Interest paid included therein (after excluding the amount equivalent to tax))	(48)	(43)
Increase in the number of common shares (Thousand shares)	1,253	1,101
(Convertible bonds included therein)	(1,253)	(1,101)
Summary of residual securities not included in the calculation of fully diluted net income per share because they have no dilutive effect	None	None

(Significant Subsequent Events)

<table>
<tr><th>FY 2002 (From April 1, 2002, to March 31, 2003)</th><th>FY 2003 (From April 1, 2003, to March 31, 2004)</th></tr>
<tr><td>—

—</td><td>
1. The meeting of the Board of Directors held on March 22, 2004, adopted a resolution to the effect that the land and buildings at six sales office buildings be sold to an affiliated company (DK Finance, Co., Ltd.). The sales procedure completed on April 27, 2004, resulted in a ¥1,234 million loss on sales of fixed assets and caused a ¥(3,834) million reversal of land revaluation difference.
2. Pursuant to a resolution adopted by the Board of Directors on February 23, 2004, the Company shall issue new shares via a stock split in the following manner:
(1) Two-for-one stock split for common shares on May 20, 2004
1) Number of shares increased via the stock split:
18,310,463 common shares
2) Splitting method:
The Company’s common shares shall be split at the rate of two-for-one for the shares owned by shareholders whose names are registered or recorded in the last record of shareholders and the last record of beneficiary shareholders as of March 31, 2004.
(2) Initial date of reckoning for dividends
April 1, 2004
The per share data for the year ended March 31, 2003, supposing that the stock split was conducted as of April 1, 2002, and those for the year ended March 31, 2004, supposing that the stock split was conducted as of April 2003, are as follows:
<table>
<tr><td>FY 2002 (From April 1, 2002, to March 31, 2003)</td><td>FY 2003 (From April 1, 2003, to March 31, 2004)</td></tr>
<tr><td>Shareholders’ equity per share</td><td>Shareholders’ equity per share</td></tr>
<tr><td align="right">¥1,540.67</td><td align="right">¥1,689.46</td></tr>
<tr><td>Net income per share</td><td>Net income per share</td></tr>
<tr><td align="right">¥187.95</td><td align="right">¥132.54</td></tr>
<tr><td>Fully diluted net income per share</td><td>Fully diluted net income per share</td></tr>
<tr><td align="right">¥177.12</td><td align="right">¥126.11</td></tr>
</table>
</td></tr>
</table>

5. Production, Orders Received and Sales

(1) Production

(Millions of yen)

Fiscal year / Segment	FY 2002 (From April 1, 2002, to March 31, 2003)		FY 2003 (From April 1, 2003, to March 31, 2004)	
		Year-over-year change (%)		Year-over-year change (%)
Commercial karaoke business:				
Telecommunications-type karaoke software	2,261	122.1	3,610	159.6
Disk-type karaoke software	1,226	90.1	1,032	84.2
Subtotal	3,487	108.5	4,642	133.1
Content business:				
Sound delivery/video software for satellite broadcasting	474	94.1	972	205.0
Music software business:				
Music and video software	2,718	118.7	3,474	127.8
Total	6,680	111.2	9,089	136.1

Note: The above amounts are indicated in terms of manufacturing cost.

(2) Orders received

Inapplicable as DKG follows a policy of project production.

(3) Sales

(Millions of yen)

Fiscal year / Segment	FY 2002 (From April 1, 2002, to March 31, 2003)			FY 2003 (From April 1, 2003, to March 31, 2004)		
		Composition ratio (%)	Year-over-year change (%)		Composition ratio (%)	Year-over-year change (%)
Commercial karaoke business:						
Turnover of merchandise and products	27,234	23.2	124.6	28,421	23.8	104.4
Revenue from rental of karaoke equipment	16,948	14.5	100.8	18,062	15.1	106.6
Fee revenue from the provision of karaoke-streaming service	17,314	14.8	114.9	20,020	16.8	115.6
Subtotal	61,498	52.5	114.4	66,505	55.7	108.1
Karaoke cabin business:	23,722	20.3	107.9	25,156	21.1	106.0
Content business:						
Satellite broadcasting	4,583	3.9	101.0	4,592	3.9	100.2
e-business	5,724	4.9	125.6	5,731	4.8	100.1
Subtotal	10,308	8.8	113.3	10,324	8.7	100.2
Music software business:	16,648	14.2	182.8	12,098	10.1	72.7
Other business:	4,879	4.2	104.8	5,249	4.4	107.6
Total	117,057	100.0	118.7	119,335	100.0	102.0

Summary of Nonconsolidated Financial Statements for the Year Ended March 31, 2004

May 17, 2004

Company Name: DAIICHIKOSHO CO., LTD.
Code Number: 7458
(URL http://www.dkkaraoke.co.jp)
Registered Stock: JASDAQ
Location of Head Office (Prefecture): Metropolis of Tokyo
Representative: Tatsuyoshi Yoneda, President
Contact: Eiji Hata, Executive Director; Administration Headquarters and General Manager, Finance Dept. Phone: (03) 3280-2151
Date of the Board of Directors Meeting on the Closing of Accounts: May 17, 2004
Interim Dividend System: Applied
Date of the Ordinary General Meeting of Shareholders: June 25, 2004
Unit *(tangen)* Stock System: Adopted (Unit *(tangen)* stock of shares: 100 shares)

1. Nonconsolidated Performance for the Year Ended March 2004 (from April 1, 2003, to March 31, 2004)

(1) Nonconsolidated operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Year ended March 2004	80,711	7.7	8,170	0.6	7,531	0.3
Year ended March 2003	74,974	14.5	8,125	37.9	7,510	40.9

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Year ended March 2004	4,679	7.6	258.95	246.44
Year ended March 2003	4,350	115.4	238.37	225.64

	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	%	%	%
Year ended March 2004	9.7	8.8	9.3
Year ended March 2003	9.9	9.2	10.0

Notes: 1. Average number of shares outstanding during the year:
Year ended March 2004: 17,979,209 shares
Year ended March 2003: 18,097,192 shares
2. Change in accounting method: Yes
3. Percentages for net sales, operating income, ordinary income and net income show year-over-year change from the previous fiscal year.

(2) Dividends

	Annual dividend per share	Interim	Year-end	Total amount of dividends (annually)	Payout ratio	Ratio of dividends to shareholders' equity
	¥	¥	¥	¥ Million	%	%
Year Ended March 31, 2004	38.00	—	38.00	682	14.7	1.3
Year Ended March 31, 2003	38.00	—	38.00	683	15.9	1.5

(3) Nonconsolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Year Ended March 31, 2004	88,578	50,815	57.4	2,826.29
Year Ended March 31, 2003	82,546	45,543	55.2	2,530.19

Notes: 1. Number of shares outstanding at the end of the year:
17,971,260 shares at March 31, 2004
17,985,551 shares at March 31, 2003
2. Number of treasury stocks at the end of the year:
339,203 shares at March 31, 2004
324,819 shares at March 31, 2003

2. Forecast Nonconsolidated Performance for FY 2004 (from April 1, 2004, to March 31, 2005)

	Net sales	Ordinary income	Net income	Annual dividend per share: Interim	Year-end	
	¥ Million	¥ Million	¥ Million	¥	¥	¥
Interim period ending September 30, 2004	41,000	3,800	3,200	-	-	-
Year ending March 31, 2005 (full year)	85,500	7,800	5,300	-	20.00	20.00

(Reference) Forecast net income per share (full year): ¥146.79
The value of forecast net income per share (full year) above is calculated based on the number of shares after the two-for-one stock split conducted on May 20, 2004.

Note: These projected performance figures are based on information available to the Company's management at the time of preparing this report. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 10 of the Attachment for further information on forecasts.

6. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheet

(Millions of yen)

Account item / Fiscal year	FY 2002 (Year ended March 31, 2003) Amount	FY 2002 Composition ratio (%)	FY 2003 (Year ended March 31, 2004) Amount	FY 2003 Composition ratio (%)	Year-over-year change
(Assets)					
Current assets					
Cash and bank deposits	13,980		17,476		3,496
Notes receivable—trade	2,142		1,136		(1,006)
Accounts receivable—trade	5,753		6,609		856
Marketable securities	-		121		121
Merchandise	2,761		2,592		(169)
Finished products	120		49		(71)
Work in process	1,523		781		(741)
Advance money	254		313		58
Prepaid expenses	733		683		(50)
Deferred tax assets	3,362		3,340		(21)
Income taxes receivable	822		—		(822)
Current portion of long-term loans receivable from subsidiaries and affiliates	475		327		(147)
Other	268		588		319
Allowance for doubtful accounts	(437)		(451)		(13)
Total current assets	31,761	38.5	33,571	37.9	1,810
Fixed assets					
Tangible fixed assets					
Buildings	4,569		3,241		(1,328)
Structures	335		263		(71)
Tools, furniture and fixtures	643		757		114
Karaoke equipment for rental	3,621		4,388		767
Karaoke cabin facilities	6,058		6,992		933
Land	4,807		4,853		45
Other	191		165		(26)
Total tangible fixed assets	20,228	24.5	20,662	23.3	434
Intangible assets					
Patent right	2		2		0
Leasehold	44		44		-
Trademark right	6		1		(5)
Software	3,891		3,811		(79)
Sound delivery/video software	2,932		4,369		1,437
Other	210		208		(1)
Total intangible assets	7,087	8.6	8,437	9.5	1,350
Investments and other assets					
Investments in securities	2,252		6,341		4,088
Investment in stocks of subsidiaries and affiliates	5,178		5,080		(97)
Investment in capital	704		685		(18)
Investment in capital of subsidiaries and affiliates	100		100		0
Long-term loans receivable	5,717		5,373		(343)

Claims in bankruptcy, reorganization claims and similar claims		1,012			968		(44)
Long-term prepaid expenses		130			100		(29)
Deferred tax assets		2,438			963		(1,475)
Prepaid plan cost		984			1,015		31
Leasehold deposits and guarantee money		9,069			9,860		790
Other		569			311		(257)
Allowance for doubtful accounts		(4,687)			(4,893)		(205)
Total investments and other assets		23,469	28.4		25,907	29.3	2,437
Total fixed assets		50,785	61.5		55,007	62.1	4,222
Total Assets		82,546	100.0		88,578	100.0	6,032

Account item \ Fiscal year	FY 2002 (Year ended March 31, 2003) Amount		Composition ratio (%)	FY 2003 (Year ended March 31, 2004) Amount		Composition ratio (%)	Year-over-year change
(Liabilities)							
Current liabilities							
Notes payable—trade		2,365			2,556		190
Accounts payable—trade		2,617			3,049		431
Short-term borrowings		1,250			600		(650)
Convertible bonds redeemable within one year		-			10,799		10,799
Current portion of long-term borrowings		3,388			3,400		12
Accounts payable—other		3,884			4,711		827
Accrued expenses		110			205		95
Income taxes payable		-			161		161
Consumption taxes payable		406			267		(139)
Unrealized profit on installment sales		302			176		(125)
Reserve for bonuses		631			605		(25)
Other		301			582		280
Total current liabilities		15,258	18.5		27,116	30.6	11,857
Long-term liabilities							
Convertible bonds		12,165			-		(12,165)
Long-term borrowings		8,179			8,049		(130)
Reserve for employees' retirement benefits		1,002			1,026		23
Reserve for directors' retirement allowances		-			1,130		1,130
Other		397			440		43
Total long-term liabilities		21,744	26.3		10,647	12.0	(11,097)
Total Liabilities		37,002	44.8		37,763	42.6	760
(Shareholders' Equity)							
Capital stock		12,348	14.9		12,349	14.0	0
Capital surplus							
Capital reserve	4,000			4,001			0
Other capital surplus							
Gain on decrease in capital reserve	20,000			20,000			-
Gain on disposal of treasury stock	-			0			0
Total capital surplus		24,000	29.1		24,001	27.1	
Retained earnings							
Voluntary reserve	29,750			18,602			(11,148)
Unappropriated retained earnings for the year	(9,750)			1,114			10,865
Total retained earnings		19,999	24.2		19,716	22.3	(282)
Land revaluation difference		(10,005)	(12.1)		(5,761)	(6.5)	4,243
Net unrealized gains or losses on available-for-sale securities		(99)	(0.1)		1,277	1.4	1,376
Treasury stock		(700)	(0.8)		(767)	(0.9)	(67)
Total Shareholders' Equity		45,543	55.2		50,815	57.4	5,272
Total Liabilities and Shareholders' Equity		82,546	100.0		88,578	100.0	6,032

(2) Nonconsolidated Statement of Income

(Millions of yen)

Fiscal year / Account item	FY 2002 (From April 1, 2002, to March 31, 2003) Amount		Percentage (%)	FY 2003 (From April 1, 2003, to March 31, 2004) Amount		Percentage (%)	Year-over-year change (%)
Net sales		74,974	100.0		80,711	100.0	107.7
Cost of sales		46,529	62.1		51,217	63.5	110.1
Gross profit before adjustment for unrealized profit on installment sales		28,445	37.9		29,493	36.5	103.7
Unrealized profit on installment sales─reversal (+)	196			231			
Unrealized profit on installment sales─deferred (–)	189	7	0.0	106	125	0.2	
Gross profit on sales		28,452	37.9		29,619	36.7	104.1
Selling, general and administrative expenses		20,326	27.1		21,448	26.6	105.5
Operating income		8,125	10.8		8,170	10.1	100.6
Nonoperating income							
Interest and dividend income	485			557			
Fees and commissions received	126			164			
Profit on retirement of convertible bonds	42			-			
Other	411	1,066	1.4	327	1,049	1.3	98.4
Nonoperating expenses							
Interest expense	235			202			
Loss on valuation of inventories	144			198			
Loss on disposal of inventories	93			414			
Provision for allowance for doubtful accounts	712			500			
Other	495	1,681	2.2	372	1,688	2.1	100.4
Ordinary income		7,510	10.0		7,531	9.3	100.3
Extraordinary gains							
Gain on correction of copyright use fees for prior years	262			-			
Gain on sales of fixed assets	—			14			
Reversal of allowance for doubtful accounts	206			201			
Gain on sales of investments in securities	13	482	0.7	208	424	0.5	87.9
Extraordinary losses							
Loss on sales and disposal of fixed assets	1,278			1,136			
Loss on valuation of investments in securities	483			77			
Loss on valuation of investment in stocks of subsidiaries and affiliates	3,370			303			
Loss on sales of investments in securities	767			-			
Directors' retirement allowances	83			-			
Provision for reserve for directors' retirement allowances for prior years	-			1,097			
Loss on arrangement of subsidiaries and affiliates	-	5,984	8.0	5	2,621	3.2	43.8
Income before income taxes		2,009	2.7		5,334	6.6	265.6
Income taxes—current	100			100			
Income taxes—deferred	(2,441)	(2,341)	(3.1)	555	655	0.8	
Net income for the year		4,350	5.8		4,679	5.8	107.6
Surplus brought forward from the previous year		598			679		
Reversal of legal reserve		485			-		
Reversal of land revaluation difference		(15,184)			(4,243)		
Unappropriated retained earnings		(9,750)			1,114		

(3) Proposal for Appropriation of Retained Earnings

(Millions of yen)

Account item / Fiscal year	FY 2002 (Year ended March 31, 2003)		FY 2003 (Year ended March 31, 2004)	
	Amount		Amount	
Unappropriated retained earnings		(9,750)		1,114
Reversal of voluntary reserve				
Reversal of general reserve	11,150	11,150	-	-
Total		1,399		1,114
To be appropriated as follows:				
Amounts of profit appropriation:				
Cash dividends	683		682	
Bonuses to directors	36		23	
(including those to statutory auditors)	(13)	719	(3)	706
Retained earnings to be carried forward		679		408

Significant Accounting Policies

1. Valuation basis and method for securities

(1) Investment in stocks of subsidiaries and affiliates

Stated at cost determined by the moving-average method.

(2) Other securities

Securities with fair value:

Carried at fair value as of the balance-sheet date with changes in net unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.

Securities without fair value:

Carried at cost determined by the moving-average method.

2. Valuation basis and method for inventories

(1) Merchandise and finished products

Carried at cost determined by the moving-average method.

(2) Work in process

Carried at cost determined by the specific identification method.

3. Depreciation method of fixed assets

(1) Tangible fixed assets

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets as shown below. However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998.

Building and structures: 3–50 years
Karaoke equipment for rental: 5–6 years
Karaoke cabin facilities: 3–19 years

(2) Intangible assets

Amortization of intangible assets is computed by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life (five years), and sound delivery and video software is amortized by the straight-line method over two years.

(3) Long-term prepaid expenses

Straight-line method is adopted.

4. Accounting standards for reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

(2) Reserve for bonuses

The reserve for bonuses is provided at an estimated amount based on DK's internal payment prediction standard.

(3) Reserve for employees' retirement benefits:

The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the balance-sheet date, based on the projected benefit obligations and plan assets as of March 31, 2004. Actuarial differences are amortized on a pro rata basis by the straight-line method over a certain period (10 years), which is shorter than the average remaining service years for employees at the time of their occurrence, from the following fiscal year of recognition.

(4) Reserve for directors' retirement allowances:

The reserve for directors' retirement allowances is provided at an amount that would be required to be paid in accordance with the DK's internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the balance-sheet date.

(Change in accounting principle)

DK's directors' retirement allowances were previously charged to income as incurred when disbursed. Effective from this year under review, the accounting method for DK's directors' retirement allowances has been changed to provide for possible payments at an amount that would be required to be paid in accordance with its internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the balance-sheet date. This change, which was implemented when the relevant internal rules were reviewed, aims to regularize the periodic accounting of profit and loss and achieve a sounder financial structure by allocating the directors' retirement allowances to the tenure of directors and statutory auditors. As per this change, ¥123 million that was recognized to have occurred during this fiscal year was included in selling, general and administrative expenses,

whereas ¥1,097 million was collectively included in the provision for the reserve for directors' retirement allowances for prior years as an extraordinary loss factor.
As a result, compared with the previous accounting method, operating income and ordinary income each declined by ¥123 million, and income before income taxes decreased by ¥1,130 million.

5. Accounting for leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

6. Accounting for installment sales

DK's installment profit involved in installment sales is deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired.

7. Accounting for consumption tax, etc.

Consumption taxes are accounted for using the tax exclusion method. Consumption taxes related to installment sales are deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired.

Notes to Nonconsolidated Financial Statements

(Notes to Nonconsolidated Balance Sheet)

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
1. Accumulated depreciation for tangible fixed assets	23,098	23,102
2. Liabilities for guarantee		
Liabilities for guarantee	5,288	3,928
Guarantee by subscription	356	301
Total	5,645	4,230
3. Assets pledged as collateral and secured debt		
Buildings	1,471	-
Land	2,141	-
Investments in securities	626	-
Total	4,239	-
Debt corresponding to the above:		
Current portion of long-term borrowings	696	-
Long-term borrowings	5,981	-
Total	6,677	-
4. Commitment line contracts with seven main financing banks		
Total amount of commitment line contracts	10,000	10,000
Residual amount of borrowed funds	-	-
On balance	10,000	10,000

5. DK revalued the land used for its business based on the provisions prescribed in the Law Concerning Revaluation of Land (1998 Law No. 34). The resulting revaluation difference is included in Shareholders' Equity as "Land revaluation difference."

(1) Date of revaluation: March 31, 2001

(2) Revaluation method:

The value of land is calculated by reasonably adjusting the " land prices calculated under the method determined and announced by the Director-General of the National Tax Administration Agency for calculating land value as the basis of calculating taxable prices of land value tax set forth in Article 16 of the Land Value Tax Law," stipulated in Article 2, Item 4, of the "Ordinance Implementing the Law Concerning Revaluation of Land (1998 Government Ordinance No. 119)."

(3) The difference between the market value of the land for business use as of March 31, 2004, and its carrying amount after the revaluation: ¥(648) million

(Notes to Leases)

1. Finance lease contracts that do not transfer ownership of leased property to the lessee

(1) Assumed data as to acquisition cost, accumulated depreciation and remaining book value of leased assets as of March 31, 2003 and 2004

(Millions of yen)

	FY 2002 (From April 1, 2002, to March 31, 2003)			FY 2003 (From April 1, 2003, to March 31, 2004)		
	Acquisition cost	Accumulated depreciation	Remaining book value	Acquisition cost	Accumulated depreciation	Remaining book value
Tools, furniture and fixtures	2,509	1,197	1,312	2,423	1,281	1,142
Karaoke cabin facilities	984	742	241	303	247	55
Total	3,494	1,940	1,554	2,726	1,529	1,197

(2) Assumed future lease payments at the end of the year

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Due within one year	795	668
Due after one year	775	540
Total	1,571	1,209

(3) Lease payments, and assumed depreciation expense and interest expense

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Lease payments	1,226	828
Assumed depreciation expense	1,169	807
Assumed interest expense	25	15

(4) Computation method of assumed depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of assumed interest expense

The difference between the total lease contract amount and the assumed acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts

Assumed future lease payments at the end of the year

(Millions of yen)

	As of March 31, 2003	As of March 31, 2004
Due within one year	324	331
Due after one year	2,400	2,144
Total	2,725	2,476

(Note to Securities)

DK had no available-for-sale securities for which the fair value was readily determinable in its investment in stocks of subsidiaries and affiliates for the years ended March 31, 2003 and 2004.

(Tax-Effect Accounting)

1. Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

FY 2002 (as of March 31, 2003)

Deferred tax assets:	
Loss brought forward	4,960
Loss on valuation of investment in stocks of subsidiaries and affiliates	1,723
Allowance for doubtful accounts	1,551
Loss on valuation of investments in securities	837
Reserve for employees' retirement benefits	268
Reserve for bonuses	213
Loss on valuation of inventories	86
Net unrealized gains or losses on available-for-sale securities	72
Others	140
Deferred tax assets: subtotal	9,854
Valuation reserve	(3,654)
Total deferred tax assets	6,199
Deferred tax liabilities:	
Prepaid plan expense	(398)
Net deferred tax assets	5,801

FY 2003 (as of March 31, 2004)

Deferred tax assets:	
Loss brought forward	3,724
Loss on valuation of investment in stocks of subsidiaries and affiliates	1,574
Allowance for doubtful accounts	1,808
Loss on valuation of investments in securities	865
Reserve for employees' retirement benefits	336
Reserve for directors' retirement allowances	458
Reserve for bonuses	245
Loss on valuation of inventories	33
Others	242
Deferred tax assets: subtotal	9,288
Valuation reserve	(3,703)
Total deferred tax assets	5,584
Deferred tax liabilities:	
Net unrealized gains or losses on available-for-sale securities	(869)
Prepaid plan expense	(411)
Net deferred tax assets	4,304

2. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax-effect accounting

FY 2002 (as of March 31, 2003)	%
Statutory income tax rate	42.0
Reconciliation items:	
Reversal of unrecognized land revaluation difference	(252.4)
Entertainment expenses and others, which are permanently nondeductible	6.3
Dividend income and others, which are permanently excluded from taxable income	(6.5)
Per capita inhabitant's tax	5.0
Reduction in deferred tax assets at the balance sheet date due to tax rate change	5.1
Valuation reserve	84.1
Others	(0.1)
Effective income tax rate after the adoption of tax-effect accounting	(116.5)

FY 2003 (as of March 31, 2004)	%
Statutory income tax rate	42.0
Reconciliation items:	
Reversal of unrecognized land revaluation difference	(33.4)
Entertainment expenses and others, which are permanently nondeductible	2.6
Dividend income and others, which are permanently excluded from taxable income	(3.4)
Per capita inhabitant's tax	1.9
Valuation reserve	0.9
Others	1.7
Effective income tax rate after the adoption of tax-effect accounting	12.3

3. Pursuant to the "Law for the Amendment of a Part of Local Tax Law, etc." (which implements the pro forma standard tax for income tax effective from the business year beginning on and after April 1, 2004), the statutory income tax rate used for calculating deferred tax assets and liabilities for the year ended March 31, 2004, is that before the amendment with regard to the transitional differences that were expected to be resolved by March 31, 2004, and that after the amendment with regard to the transitional differences that were expected to be resolved on and after April 1, 2004. As a result of this change in the statutory/effective tax rate, net deferred tax assets as of the balance-sheet date (after deducting deferred tax liabilities) decreased ¥103 million, whereas income taxes—deferred recorded for the year under review increased ¥103 million.	—

(Per Share Data)

Item	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
Shareholders' equity per share	¥2,530.19	¥2,826.29
Net income per share	¥238.37	¥258.95
Fully diluted net income per share	¥225.29 Effective from this year ended March 31, 2004, the Company has applied the "Accounting Standard for Net Income per Share" (Business Accounting Standard No. 2) and the "Application Guideline concerning the Accounting Standard for Net Income per Share" (Application Guideline for Business Accounting Standard No. 4) to its net income and net income per share. Per share data by applying the above accounting standard and the application guideline to shareholders' equity per share and net income per share for the year ended March 31, 2003, were as follows: **Shareholders' equity per share:** ¥2,310.15 **Net income per share:** ¥106.22 **Fully diluted net income per share:** ¥101.15	¥246.44

Note: Assumptions in the computation of net income per share and fully diluted net income per share are as follows:

	FY 2002 (From April 1, 2002, to March 31, 2003)	FY 2003 (From April 1, 2003, to March 31, 2004)
Net income per share:		
Net income for the year (Millions of yen)	4,350	4,679
Amount not belonging to common shareholders (Millions of yen)	36	23
(Bonuses to directors through profit appropriation included therein)	(36)	(23)
Net income related to common shares of the Company (Millions of yen)	4,313	4,655
Average number of shares during the year (Thousand shares)	18,097	17,979
Fully diluted net income per share:		
Adjustment to net income (Millions of yen)	52	46
(Interest paid included therein (after excluding the amount equivalent to tax))	(48)	(43)
Increase in the number of common shares (Thousand shares)	1,253	1,101
(Convertible bonds included therein)	(1,253)	(1,101)
Summary of residual securities not included in the calculation of fully diluted net income per share because they have no dilutive effect.	None	None

(Significant Subsequent Events)

<table>
<tr><th>FY 2002 (From April 1, 2002, to March 31, 2003)</th><th colspan="2">FY 2003 (From April 1, 2003, to March 31, 2004)</th></tr>
<tr><td>—

—</td><td colspan="2">1. The meeting of the Board of Directors held on March 22, 2004, adopted a resolution to the effect that the land and buildings at six sales office buildings be sold to an affiliated company (DK Finance, Co., Ltd.). The sales procedure completed on April 27, 2004, resulted in a ¥1,234 million loss on sales of fixed assets and caused a ¥(3,834) million reversal of land revaluation difference.
2. Pursuant to a resolution adopted by the Board of Directors on February 23, 2004, the Company shall issue new shares via a stock split in the following manner:
(1) Two-for-one stock split for common shares on May 20, 2004
1) Number of shares increased via the stock split:
18,310,463 common shares
2) Splitting method:
The Company’s common shares shall be split at the rate of two-for-one for the shares owned by shareholders whose names are registered or recorded in the last record of shareholders and the last record of beneficiary shareholders as of March 31, 2004.
(2) Initial date of reckoning for dividends
April 1, 2004
The per share data for the year ended March 31, 2003, supposing that the stock split was conducted as of April 1, 2002, and that for the year ended March 31, 2004, supposing that the stock split was conducted as of April 2003, are as follows:</td></tr>
<tr><td rowspan="7"></td><td>FY 2002 (From April 1, 2002, to March 31, 2003)</td><td>FY 2003 (From April 1, 2003, to March 31, 2004)</td></tr>
<tr><td>Shareholders’ equity per share</td><td>Shareholders’ equity per share</td></tr>
<tr><td>¥1,265.09</td><td>¥1,413.14</td></tr>
<tr><td>Net income per share</td><td>Net income per share</td></tr>
<tr><td>¥119.19</td><td>¥129.47</td></tr>
<tr><td>Fully diluted net income per share</td><td>Fully diluted net income per share</td></tr>
<tr><td>¥112.82</td><td>¥123.22</td></tr>
</table>

7. Changes in Management Executives

(1) Change of the representative

None applicable.

(2) Changes in the posts of other officers (As of June 25, 2004)

1) Candidate for a new statutory auditor

Hiroshi Kakegawa (Currently Advisor, Mitsubishi Trust Asset Management Co., Ltd.)

2) Retiring statutory auditors

Haruhiko Tamura (Currently Standing Statutory Auditor)
Kumiko Takahashi (Currently Statutory Auditor)

Reference: New Management System (As of June 25, 2004)

Chairman	**Tadahiko Hoshi**	
President and Chief Executive Officer	**Tatsuyoshi Yoneda**	
Managing Director and Senior Executive Corporate Officer	**Shinichi Koshimizu**	Supreme Manager for Production Headquarters
Managing Director and Senior Executive Corporate Officer	**Shinichi Matukawa**	Supreme Manager for Sales Management Headquarters and Purchasing and Shipment Dept. and Marketing and Advertising Dept.
Managing Director and Senior Executive Corporate Officer	**Hiroshi Mino**	Supreme Manager for Development Headquarters and Gateway Headquarters and Intellectual Property Dept.
Director and Corporate Officer	**Saburou Hayashi**	Executive Director, Sales Management Headquarters
Director and Corporate Officer	**Tomohiro Midorikawa**	Vice Executive Director, Sales Management Headquarters and General Manager, Subsidiary Sales Dept. and Branch Sales Dept.
Director and Corporate Officer	**Eiji Hata**	Executive Director, Administration Headquarters and General Manager, Finance Dept.
Standing Statutory Auditor	**Juichi Ishikawa**	
Standing Statutory Auditor (Newly appointed)	**Hiroshi Kakegawa**	
Standing Statutory Auditor	**Nobuyuki Takase**	
Statutory Auditor	**Masumi Arichika**	

Corporate Officer	**Shinji Arima**	General Manager, Auditing Dept.
Corporate Officer	**Takachika Narahara**	General Manager, Corporate Sales Dept.
Corporate Officer	**Yasuyuki Suzuki**	Vice Executive Director, Administration Headquarters and General Manager, Accounting Dept.
Corporate Officer	**Hirotsune Tahara**	General Manager, Satellite Broadcasting Division
Corporate Officer	**Yuji Yamamoto**	Executive Director, Production Headquarters and General Manager, Content Production Dept.
Corporate Officer	**Shunichi Sadasue**	Vice Executive Director, Gateway Headquarters and General Manager, Composition and Production Dept.
Corporate Officer	**Osamu Arima**	General manager, Big Echo Division
Corporate Officer	**Tatsuya Kumagai**	Executive Director, Development Headquarters
Corporate Officer	**Akira Miyake**	Vice Executive Director, Sales Management Headquarters and General Manager, e-Business Division
Corporate Officer	**Kentarou Kurokawa**	General Manager, Information System Dept.
Corporate Officer	**Yuuichi Murai**	Vice Executive Director, Gateway Headquarters and General Manager, Business Force Dept. and Marketing and Advertising Dept.
Corporate Officer	**Yasutaka Wada**	Vice Executive Director, Production Headquarters and General Manager, Production Management Dept.
Corporate Officer	**Toshio Watanabe**	Executive Director, Gateway Headquarters